

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /169 W

----- 009030

R 211519Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4533

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: BONN MEETING AUGUST 20 BETWEEN FRG FINANCE
MINISTER APEL, BUNDESBANK VICE PRESIDENT EMMINGER,
ITALIAN FINANCE MINISTER COLOMBO AND BANK OF ITALY
GOVERNOR CARLI

1. SUMMARY. GERMAN FINANCE MINISTER APEL AND
BUNDESBANK VICE PRESIDENT EMMINGER MET AUGUST 20
WITH ITALIAN FINANCE MINISTER COLOMBO AND GOVERNOR
OF THE BANK OF ITALY CARLI. THE DISCUSSION CENTERED
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AROUND THE ACCELERATION OF POSSIBLE ASSISTANCE TO

THE ITALIANS IN LIGHT OF THEIR BALANCE OF PAYMENTS DEFICITS. THE FRG STRONGLY SUPPORTED A COORDINATED COMMUNITY-WIDE ASSISTANCE PROGRAM DESPITE ITALIAN URGING FOR BILATERAL HELP. THE TWO PARTIES HAD INITIAL DISCUSSIONS ON THE POSSIBILITY OF ASSISTANCE PROGRAMS BETWEEN THE COUNTRIES' TWO CENTRAL BANKS. END SUMMARY.

2. IN YESTERDAY'S MEETING BETWEEN ITALIAN AND GERMAN FINANCE MINISTERS AND REPRESENTATIVES OF THE TWO NATIONS' CENTRAL BANKS, IT WAS AGREED, ACCORDING TO FRG FINANCE MINISTRY SOURCES, THAT SUPPORT WOULD BE GIVEN FOR AN ADDITIONAL THREE MONTHS EXTENSION OF THE EEC SHORT-TERM ASSISTANCE TO ITALY SCHEDULED TO EXPIRE SEPTEMBER 18. EEC SHORT-TERM ASSISTANCE CURRENTLY AVAILABLE TO ITALY NOW AMOUNTS TO 1.6 BILLION COMMUNITY UNITS OF ACCOUNT. SUCH ASSISTANCE IS GENERALLY GRANTED FOR THREE MONTHS WITH POSSIBLE RENEWAL FOR AN ADDITIONAL THREE MONTHS. THE NINETY DAY EXTENSION BEYOND SEPTEMBER 18 WOULD THEREFORE MEAN A TOTAL OF NINE MONTHS FOR THE SHORT-TERM CREDIT.

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CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /169 W

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R 211519Z AUG 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4534

INFO AMEMBASSY BRUSSELS

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COMMUNITY CENTRAL BANK GOVERNORS IN THEIR MEETING
SCHEDULED FOR SEPTEMBER 10 WILL VOTE ON THIS EXTENSION.

3. DISCUSSION ALSO CONCENTRATED ON THE USE OF
POSSIBLE THREE-YEAR MEDIUM-TERM COMMUNITY ASSISTANCE
FOR WHICH A MECHANISM CURRENTLY EXISTS BUT HAS NEVER
BEEN ACTIVATED. THE AGREEMENT BETWEEN ITALY AND
GERMANY ON THE SHORT-TERM EXTENSION WAS, IN THE
OPINION OF THE FRG FINANCE MINISTRY, A REALISTIC
COMPROMISE BETWEEN THE SHORT- AND MEDIUM-TERM
POSSIBILITIES IN LIGHT OF ANTICIPATED RESISTANCE
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FOR THE USE OF MEDIUM-TERM CREDITS BY FRANCE AND
GREAT BRITAIN.

4. THERE WAS DISCUSSION OF THE PROPOSED COMMUNITY
LOAN FOR EEC MEMBER COUNTRIES IN BALANCE OF PAYMENTS
DIFFICULTIES WHICH WAS REFERRED ON JULY 15 TO THE
COMMITTEE OF CENTRAL BANK GOVERNORS. FINANCE MINISTER
APEL SUPPORTED SUCH A LOAN AND EXPRESSED HIS FEELING
THAT THERE WOULD BE FAVORABLE ACTION ON IT BY THE
EEC MEMBERS.

5. THE REPRESENTATIVES OF BOTH COUNTRIES EXPRESSED
THE WILLINGNESS TO EXPLORE POSSIBLE CLOSER RELATIONS
BETWEEN THE CENTRAL BANKS REGARDING ANY STANDBY
ASSISTANCE. THIS DISCUSSION WAS ONLY IN BROAD,
GENERAL TERMS AND NO CONCLUSIVE UNDERSTANDINGS WERE
REACHED.

6- YESTERDAY'S MEETING WAS IN PREPARATION FOR THE
SCHEDULED AUGUST 30-31 MEETING BETWEEN CHANCELLOR
SCHMIDT AND PRESIDENT RUMOR IN COMO, DURING WHICH
THESE MATTERS WILL BE FURTHER EXPLORED.
CASH

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